

A History of British Regional Policy in the 1970s

David Howarth*

I. *Introduction*

There are many studies which purport to show whether the regional policy of a particular country at a particular time was or was not "efficient," or "effective" or even "rational."¹ This study, however, is not concerned with technical economic analysis, which the writer prefers to leave to economists, but with a simpler, though perhaps less empowered question of politics: What exactly was British regional policy during the 1970s?

The focus will be exclusively on Great Britain. But although the history of one time and place has no necessary lesson for any other time or place, those readers whose concern is mainly for the contemporary policy of other countries may want to keep the following in mind. Great Britain is generally thought to be a relatively homogeneous country. Its recent political history, according to convention, has been more one of the conflict of classes and interests than one of the conflict of regions. On the one hand, this makes comparisons difficult with countries where regional conflict has been an important political consideration for a long time. On the other hand, it makes any noticeable effects of regional politics all the more salient, and suggests that if regional politics can be important in such a place, it may be much more important elsewhere.

The problem will be approached at two levels. First at the level of political rhetoric, which includes not only politicians' speeches, but also official reports and legislation; the second at the level of results—what,

* Doctoral Candidate, Yale Law School; Acting Instructor of Sociology, Yale University. B.A., Cambridge, 1981; M.A., Yale, 1982; L.L.M., Yale, 1983. The author thanks Darrel Drury, Edna Murphy, Gene Sperling and the staff of the *Yale Law & Policy Review* for valuable encouragement and assistance.

1. See Gudgin, Moore & Rhodes, *Employment Problems in the Cities and Regions of the U.K.: Prospects for the 1980's*, 8 CAMBRIDGE ECON. POL'Y REV. 1 (1982); Moore & Rhodes, *Evaluating the Effects of British Regional Policy*, 83 ECON. J. 87 (1973); Moore & Rhodes, *Regional Economic Policy and the Movement of Manufacturing Firms to Development Areas*, 43 ECONOMICA 17 (1976). For a summary, see Cable, *Industry and Commerce*, in THE U.K. ECONOMY: A MANUAL OF APPLIED ECONOMICS (A. Priest and D. Coppock eds. 1978); Ashcroft & Taylor, *The Effect of Regional Policy on the Movement of Industry in Great Britain*, in REGIONAL POLICY: PAST EXPERIENCE AND NEW DIRECTIONS (D. MacLennan & J. Parr eds. 1979).

according to official and other statistics, actually happened. The purpose of the study is to compare these two levels. Before that I should outline the course of British regional policy from 1970 to 1980.

The new Conservative government of 1970, led by Edward Heath, declared that the regional policy of the previous Labour administration was over-interventionist. It proceeded partially to dismantle that policy by reducing the differentials between regions in various capital grants and subsidies, and by announcing the gradual phasing out of the Regional Employment Premium ("R.E.P."), a program aimed at helping labor intensive firms in areas of above average unemployment. R.E.P. originally worked as an extension of an attempt by the Labour governments of the 1960s to reverse a shift in the pattern of economic activity away from manufacturing and towards services.² A payroll tax, called the "Selective Employment Tax" ("S.E.T."), was imposed on all employers. However, a 100% refund, plus a small premium, was paid for every "manufacturing" employee, with a larger premium for each adult male employee than for each woman or juvenile.³ The R.E.P. quintupled the S.E.T. premium for employers inside so-called "Development Areas," which were large regions of the country chosen on the basis of "unemployment, population change, migration and the 'objectives of regional policy,'"⁴ which in practice meant most of Scotland, Wales and Northern England, and which accounted for about 20% of the population of Great Britain.⁵ Later, the S.E.T. premium for employers outside the development areas was abolished,⁶ creating a larger differential between regionally assisted and nonassisted manufacturing, in addition to the differential between manufacturing and non-manufacturing which applied regardless of region.

As an entitlement program, R.E.P. was not unusual among British regional policy measures. Governments of both the major parties of the time used a variety of tax incentives (free depreciation, for example) and investment grants that operated on an as-of-right basis.⁷ Discretionary

2. See Cable, *supra* note 1, at 207; MacCallum, *The Development of British Regional Policy*, in REGIONAL POLICY: PAST EXPERIENCE AND NEW DIRECTIONS, *supra* note 1, at 17.

3. This discrimination was not removed until July 1976. MacCallum, *supra* note 2, at 28-29. Just prior to this, the Chief Secretary to the Treasury in the Labour government, Joel Barnett, could still write, "The regional unemployment problem, particularly in the most difficult areas, is largely one of male unemployment and there is therefore a case to be considered for a higher premium for male jobs, but the implications of the Equal Pay Act will of course be taken into account. . ." 894 PARL. DEB. H.C. (5th ser.) 215 (1973) (written answer).

4. See MacCallum, *supra* note 2, at 17.

5. *Id.*

6. G. MCCRONE, REGIONAL POLICY IN BRITAIN 136ff. (1969).

7. See MacCallum, *supra* note 2, at 20.

programs were also used, under which firms could obtain grants or cheap loans for investment or factory building in development areas. The Local Employment Acts, which authorized most of these schemes, laid down broad conditions of eligibility and sometimes guidelines for the instruction of civil servants, but they effectively created no substantive rights in potential recipients.⁸

The Heath government waged its "counter-revolution" in regional policy for two years.⁹ In 1972, however, in the face of rapidly rising unemployment and a general recession, it abruptly reversed its general economic policy, as part of what became known as the "U-turn," abandoning *laissez-faire* and returning to the policy of bailing out large companies which were on the verge of bankruptcy.¹⁰ In regional policy, it restored the differentials between regions to their previous levels, and in some instances even increased them over the Labour administration's levels. The Heath government also extended the scope of the capital grants policy to include more firms already in aided areas, refusing, as before, to focus primarily on immigrant firms. R.E.P. was still to be phased out, however.¹¹

The Labour government, elected in February 1974 without a majority, and in October 1974 with one, refused to end R.E.P. and indeed announced that its rate would be doubled.¹² Other measures included proposals to disperse central governmental offices out of London, extension of aid to some provincial cities previously unaided and the upgrading of others, and an attempt to reduce private office building in London.¹³ In 1975, the government announced plans for a comprehensive industrial policy,¹⁴ including the establishment of development agencies specifically for Scotland and Wales. The centerpiece of the whole policy was a National Enterprise Board, which was authorized, as part of its very wide power of intervention in British industry, to take regional employment and growth into account. Some specific new anti-

8. See *Burman (Inspector of Taxes) v. Thorn Domestic Appliances (Electrical) Ltd.* [1982] Simon's T.C. 179, [1981] T.R. 499 (Chancery Division) (on S.7 Industry Act 1972, which operates similarly).

9. See MacCallum, *supra* note 2, at 19.

10. See Morris, *Industrial Policy*, in *THE ECONOMIC SYSTEM IN THE U.K.*, 470 (D. Morris ed. 1977). Heath's experiment with *laissez-faire*, although a failure in itself, laid the foundations of Margaret Thatcher's policies. See A. BALL, *BRITISH POLITICAL PARTIES* 209 (1981); See also R. BEHRENS, *THE CONSERVATIVE PARTY FROM HEATH TO THATCHER* (1980).

11. See Randall, *The History of British Regional Policy*, in G. HALLETT, P. RANDALL & E.G. WEST, *REGIONAL POLICY FOREVER?* (1973). See also MacCallum, *supra* note 2, at 22-23.

12. See MacCallum, *supra* note 2, at 24-33.

13. *Id.*

14. Cable, *supra* note 1, at 217-20; Morris, *supra* note 10, at 473-75. See also Cameron, *The National Industrial Strategy and Regional Policy*, in *REGIONAL POLICY: PAST EXPERIENCE AND NEW DIRECTIONS*, *supra* note 1, at 297-322.

unemployment schemes such as the Job Creation Programme also had a regional slant, with one third of the jobs going to Scotland.¹⁵

Then came a collapse.¹⁶ In July, 1976, in response to the serious economic situation, especially rapidly accelerating inflation, the government started to make cuts in public expenditure, including some reduction in regional aid grants and R.E.P. Then, finally, in December, in the midst of the foreign exchange crisis and under a great deal of pressure from the International Monetary Fund ("I.M.F."), the government made further heavy cuts in public expenditure. These included the summary abolition of R.E.P., effective immediately—the largest single cut ever in regional aid. The following year some assisted areas were downgraded in status, and the controls on private office building in London were removed.

These reductions in public spending were welcomed by the Conservative Party, which went even further when they came back into office in 1979. Indeed, the opening years of the Thatcher administration were characterized by an even greater hostility to government intervention in the economy than were the opening years of the Heath administration.¹⁷ They seemed particularly unhappy about regional policy, which they saw mainly as a program which merely transferred jobs from one part of the country to another, without creating many new "permanent" jobs.¹⁸ The Conservatives soon reduced the number of assisted areas by about half, under the guise of "concentrating" aid.¹⁹ After a heyday in the 1960s, then, British regional policy for all intents and purposes came to an end in the late 1970s.

But this bare outline of events conceals as much as it reveals. It tells only of the vicissitudes of regional policy as a whole—how much was spent in total and what the names of the programs were. It does not answer the question of which regions received aid and why, and whether some were especially favored while others were discriminated against.

15. See MacCallum, *supra* note 2, at 29.

16. See *id.*; A. GAMBLE, *BRITAIN IN DECLINE* 183-84 (1981).

17. See BALL, *supra* note 10; See also BEHRENS, *supra* note 10.

18. 953 PARL. DEB. H.C. (5th Ser.) 255-56 (1978) (debates) (Statement of Sir Keith Joseph) ("In aggregate, we believe that these subsidies and grants do more harm than good Anyway, these grants and subsidies may rescue some jobs, but only at the cost of other jobs."). See also 971 PARL. DEB. H.C. (5th Ser.) 364 (1979) (debates) ("At least half the purpose of regional policy is to transfer jobs from relatively prosperous parts of the country to less relatively prosperous parts of the country.") See also 971 PARL. DEB. H.C. (5th ser.) 478 (1979) (debates) ("Regional policy may do many things, but it does not create jobs; it shifts jobs.") (Statement of George Younger, Secretary of State for Scotland).

19. 970 PARL. DEB. H.C. (5th ser.) 1302-21 (debates), 480-95 (written answers) (1979). By the government's own calculations, the area of the country covered by assisted areas of various types fell from 44% to 27%. 44 PARL. DEB. H.C. (6th ser.) 560 (1983) (debates) (Statement of Norman Lamont).

Further, it provides little, if any, insight into the politics of the 1970s beyond the notion that Labour governments favored more public expenditure than the Conservatives, and also more than the I.M.F.

This article will be devoted to answering these important questions. Some writers suggest that the constraints imposed upon British governments both by internal social forces and by the country's international position left them with little room to maneuver, whichever party was in control, and that the differences between the parties have been greatly exaggerated.²⁰ However, the newest major party in British politics, the Alliance between the old Liberal Party and the new Social Democratic Party (which won 27% of the popular vote in the general election of 1983), has made much of the claim that during the 1970s both of the other parties became more extreme. The Conservatives, they say, moved to the right while Labour moved to the left, with the result that the country suffered from violent switchbacks in policy as the incoming government began its term by undoing everything that the outgoing government had done. Since this study is confined to one very specific area of policy, it clearly cannot settle the issue, but it may throw some light on it, and on British politics in general.

II. *Background*

A. *The Regional Problem*

The conventional way to see Britain's regional problem is in terms of economic policy.²¹ Some regions of the country have grown faster than others or, as has been the case more recently, have declined more slowly. In particular, some cities, especially those in the north of England, in Wales, and in Scotland have suffered from a consistently higher level of unemployment than have others, such as London, throughout the major part of this century.²²

It would be possible to express the whole problem in terms of economic equity and fairness among the inhabitants of the various cities and regions. People from city *X* have a considerably better chance of decent life than people from city *Y*, merely by virtue of living in a different place. Is this fair? One answer to this is yes. The inhabitants of *Y* should simply move to *X*, and if they do not, then one should regard

20. See, e.g., R. ROSE, *DO PARTIES MAKE A DIFFERENCE?* (1980).

21. See *supra* nn.1, 4, 6, 10, 11. For an early expression of nearly all of the themes of economic argument about regional policy, see P.E.P. REGIONALISM GROUP, *REPORT ON THE LOCATION OF INDUSTRY* (1939) (hereinafter cited as *LOCATION OF INDUSTRY*).

22. See C. LAW, *BRITISH REGIONAL DEVELOPMENT SINCE WORLD WAR I* 32-56, 83-98 (1980).

them as having consented to their situation. But it may be that inhabitants of *Y* cannot move to *X* because they are too poor, in absolute terms, to be able to afford it, or even to be able to borrow the money. Furthermore, they might not want to leave because of their obligations to support and give comfort to members of their family, and to friends and neighbors.

One might still say that this amounts to "choosing" to stay in *Y* because these people have determined for themselves that the "cost" of moving to *X* is too high—either because they do not want to pay extraordinarily high interest rates for loans or because they get too much "satisfaction" from looking after others and from being a part of their community. But being forced to choose between two evils is not the same as choosing voluntarily and freely. Certainly it is not sufficiently the same that we should no longer worry about the overall distribution of evils in society or about whether the choice itself is fair.

One solution would be for the government to pay grants to people who want to move but cannot afford it. But there are at least two problems here. The first is that migration from *Y* to *X* might impose burdens on the inhabitants of *X*. It is true that since one major concern is redistribution, it is inevitable that some people must lose, but the question is, which people? Large numbers of poor inhabitants of *Y* moving to *X* might well threaten the wage rates, and perhaps the jobs of poor inhabitants of *X*. Is this the redistribution we want? The second is that by encouraging people to leave *Y*, especially if the people to leave are the youngest and brightest, the government is aggravating the downward spiral of *Y*. The situation for those left behind becomes worse and worse. Furthermore, the government puts itself in the position of inciting people to shirk obligations to family and neighbors and, if enough people take up the offers, of causing the break-up of communities. In consequence, the problem has been largely addressed not so much by helping the workers go to the work, but by bringing the work to the workers.

However, as with much in British politics, the tendency has been to present the issues of regional policy not only in terms of equity and justice, but also in a somewhat technocratic way.²³ Regional inequalities are accused of being a source of economic inefficiency, of reducing the G.N.P. rather than simply sharing it out unfairly. This might happen because firms choose their locations not on the basis of minimum cost,

23. For historical overviews of regional policy in practice, see Randall, *supra* note 11; MacCallum *supra* note 2; Hallett, *The Political Economy of Regional Policy*, in G. HALLETT, P. RANDALL & E.G. WEST, *REGIONAL POLICY FOREVER?* (1973).

but on other grounds.²⁴ Thus the arrangement can be said to be “inefficient” at the level of the individual firms.

The situation could also be explained by the fact that these firms located themselves without taking into account certain externalities that are usually associated with the word “congestion”—for example, pollution, low fertility, mass transit and road costs, inflated property values—but which may also include the social costs to the cities and regions *not* chosen, such as unemployment, emigration and wasted public facilities. In either case, but especially in the second (for one might wonder in the first whether government could do any better at choosing least cost sites than firms), there is some justification for government intervention.²⁵

Rodney Barker offers an illuminating example from Harold Laski's *Reflections on the Constitution*. Laski is discussing regional policy in the context of proposals for the devolution of power from London to provincial parliaments, especially to Scotland and Wales. He writes:

The decision, for example, whether or not to use Prestwick [an airport in Scotland] as a permanent alternative to London Airport is, in essence, a technical, and not a national, question. If it can be shown that there is a good case, on economic and aeronautical grounds, for the permanent use of Prestwick as a viable alternative to London, it seems to me obvious that the recognition of Prestwick's value is beyond question.²⁶

“Economic grounds,” if used in a sense far wider than I suspect Laski would have allowed, could include conventionally political matters, for example the pride and satisfaction that Scots would feel from their airport being recognized as an international center. Here as elsewhere, however, Laski is really subordinating justice to technical efficiency, and politics to administration.

Most Conservatives of the 1950s and 1960s would not have dissented from this result, although they arrived at it in a different way. Michael Oakeshott and T.E. Utey,²⁷ for example, both distrusted the extension of “politics” into every aspect of life. Although they would also have kept out the technocrats if they could, they preferred the apparent consensus of the rule of the generalist civil servant to open conflict. In practice, Conservative governments of the time claimed to administer regional policy with the same objectives and justifications of “efficiency” and “common sense” and a “reasonable balance” as did Labour

24. See Cable, *supra* note 1, at 203-11.

25. See *id.*; See also Hallett, *supra* note 23, at 1-16. For an attempt to combine both “economic equity” and “economic efficiency” views with practical politics, see 813 PARL. DEB. H.C. (5th Ser.) 768-80 (1971) (debates) (speech by John Horam, Lab. M.P., now S.D.P.).

26. H. LASKI, REFLECTIONS ON THE CONSTITUTION 48 (1951), *quoted in* R. BARKER, POLITICAL IDEAS IN MODERN BRITAIN 139 (1978).

27. *Id.*, at 193-98.

governments.²⁸

However, one might also view Britain's regional problem in terms of its history; not only its economic history but also its political history.²⁹

If one were to stand in Victoria Square, at the center of Birmingham, in the English midlands, and look around, one would see a number of impressive greystone civil buildings. At first glance one might take them for products of the Renaissance: one building resembles a very large Venetian palazzo, another the Foro Romano—all classical columns and right proportion. But a moment's reflection will reveal that this is all an illusion—for they are far too solid and far too self-important even for the sixteenth century. They are, of course, Victorian, and buildings like them, though not always quite on this scale, can be found throughout the North of England, in Sheffield and Manchester, in Liverpool and Leeds, and, crossing the border into Scotland, above all in Glasgow.³⁰ They are the remnants of an extraordinary period in British, and especially in English, history, when "the Provinces" (as all these areas outside London are habitually, if rather derogatorily, called) for once outshone the capital and came to dominate the spirit of an age.³¹ For although in the nineteenth century London continued to grow both as a commercial and financial center and as the focal point of a large and still expanding empire, inside Britain the greatest and most far reaching changes were those brought about by the industrial revolution. And if the revolution came to Britain before all other countries, it also came first and strongest to Britain's northern and midland cities. First there was cotton in Manchester, then wool in Bradford and Leeds, then iron and steel in Sheffield and in the Black Country, brass and every sort of manufacture imaginable in Birmingham, pottery in the five towns of northern Staffordshire, shipbuilding in the far northeast of England and in Glasgow—an extraordinary economic explosion, fueled by the coal mines in South Wales, Yorkshire and Durham, facilitated by the spreading network of canals and railways.³²

But it was more than an economic revolution. The wealth of the new

28. See MacCallum, *supra* note 2; Randall, *supra* note 11; McCrone, *supra* note 6.

29. Demands for Scottish and Welsh devolution have increased the interest of economists in the political aspects of regional policy, but a thorough historical treatment has yet to appear. See, e.g., Fim & Macellan, *Devolution: The Changing Political Economy of Regional Policy*, in REGIONAL POLICY: PAST EXPERIENCE AND NEW DIRECTIONS 274-95 (D. MacLennan and J. Parr eds. 1979).

30. See generally H. BROWNE, JOSEPH CHAMBERLAIN, RADICAL AND IMPERIALIST, (1976); A.J.P. Taylor, *Manchester*, in ESSAYS IN ENGLISH HISTORY 307-25 (1976). For an explanation of this phenomenon, see E. HOBSBAWM, INDUSTRY AND EMPIRE 123-26 (1968); A. BRIGGS, THE AGE OF IMPROVEMENT (1959) and 2 HISTORY OF BIRMINGHAM (1952).

31. See *supra* note 30.

32. See BROWNE, *supra* note 30, at 4; E. HOBSBAWM, *supra* note 30.

British Regional Policy

capitalists, together with the weight of the sheer numbers of the workers that their mills and factories attracted to the northern cities, transformed British politics—first with the success of the Reform Bill in 1832, enfranchising the middle class of many of the northern cities for the first time³³ and eventually, in 1867, with the enfranchisement of the working men themselves.³⁴ The Britain of the 1870s was an approximation of an industrial capitalist democracy, not at all the mercantile and agrarian oligarchy against which the mercantile and agrarian American colonies had rebelled a hundred years previously.³⁵

The new electoral politics brought a renewed radicalism, much of it from the North. Thomas Attwood of Birmingham led the agitation for the 1832 reform, Leeds was a center of Chartism, Manchester then of Cobden and Bright and the Anti Corn Law League.³⁶ This energy appeared also in science and technology, in radical nonconformist religion, in the Victorian taste for the grotesque mawkish art of the Pre-Raphaelites, whose works now hang in the municipal galleries of Birmingham and Manchester.³⁷ But in the late nineteenth century, it was in civic pride and municipal reform that the independence of these cities chiefly asserted itself—in slum clearance, and a form of municipal socialism.³⁸ In Harry Browne's words, "[For] many Birmingham men in the late nineteenth century, the city stood for progress like its motto, Forward, and seemed for one intoxicating moment to be leading England, and therefore Europe and the world."³⁹ What was true of Birmingham then had earlier been true of Manchester and even of Glasgow. But it is no longer true. Birmingham, Manchester, Glasgow, Liverpool and Leeds are "no longer [counted among] the world's great cities"⁴⁰—they are provincial towns once more and London is again supreme.⁴¹ In a sense, this shifting of power *back* to London is the heart of Britain's regional problem.

How this decline came about is not easy to describe—it is a subtle mixture of political and economic changes and of small and great

33. See E.P. THOMPSON, *THE MAKING OF THE ENGLISH WORKING CLASS* 807-32 (1963); E. HOBSBAWM, *supra* note 30.

34. For the period between these events, see G. S. JONES, *Rethinking Chartism*, in *LANGUAGES OF CLASS* 90-178 (1983).

35. E. HOBSBAWM, *supra* note 30, at 10-19. By "mercantile" I do not intend to convey the idea of "mercantilist." See D. C. COLEMAN, *THE ECONOMY OF ENGLAND 1450-1750*, 173-95 (1977).

36. See nn.33-34, *supra*.

37. See H. BROWNE, *supra* note 30; A. BRIGGS, *supra* note 30; A. J. P. TAYLOR, *supra* note 30.

38. See H. BROWNE, *supra* note 30, at 28-30.

39. *Id.* at 3.

40. A. J. P. TAYLOR, *supra* note 30, at 307.

41. See E. HOBSBAWM, *supra* note 30, at 233-24, 328-30.

events. In economic terms, the decline of the North was largely due to the decline of its staple industries—textiles, coal, shipbuilding—in the face of growing foreign competition, as the rest of the world started to catch up with Britain at the beginning of the twentieth century, and as natural resources began to run out (especially the coal seams). Furthermore, Britain lost many of its markets, as the Empire came to an end of its own accord, and as markets in the Pacific and South America were traded to the Americans in exchange for weapons for use against Hitler.⁴² What remained were mainly footloose industries: light engineering, automobile manufacture, electrical goods—and these drifted towards the consumer of capital of London, and the gentler climes of the south. Birmingham and the West Midlands, however, also prospered from these new industries, even during the depression of the 1930s.⁴³ Originally the region's economy had been diversified and flexible, and its work force was consequently very attractive, especially to motor car manufacturers. Indeed, the 1930s might well be seen as the zenith of Birmingham's power and prestige.⁴⁴ More recently, even the West Midlands has gone into a sharp decline,⁴⁵ becoming one of the regions worst affected by the recessions and slumps of the 1970s.⁴⁶

Politically, much of the decline of the provincial cities has had to do with the increasing power of central government in London. As the government has intervened more and more in the economy, beginning with the two world wars, but especially since 1945,⁴⁷ the relative power of central institutions has also increased. The "provinces" have become more and more dependent upon central government, both for financial aid and for administrative decision-making.

About half of all the expenditure of county and municipal government is now funded by central government and in many respects local government is little more than an agent for Whitehall.⁴⁸ Even in areas of policy where municipalities and counties have more independence, they do not have the prestige of, for example, the West German Lander

42. For this controversial view of Lend-Lease, see A.J.P. TAYLOR, *Daddy, What was Winston Churchill?*, in *ESSAYS IN ENGLISH HISTORY* 302 (1976). For a decline of the staple industries of the north, see C. LAW, *supra* note 22, at 57-82; E. HOBSBAWM, *supra* note 30, at 207-12.

43. See E. HOBSBAWM, *supra* note 30, at 219.

44. The 1930s also saw the first (and so far only) Birmingham born, bred and educated British Prime Minister—Neville Chamberlain. Nineteenth century Prime Ministers were more likely to have connections with Lancashire cotton—Sir Robert Peel and William Gladstone, for example. See E. HOBSBAWM, *supra* note 30, at 83.

45. See MacCallum, *supra* note 2, at 33-35; Gudgin, Moore & Rhodes, *supra* note 1, at 13.

46. "The west midlands, the epitome of postwar affluence, has moved from second wealthiest to third poorest region in less than a decade." D. Thomas, *Should We Still Help the Regions?*, 1983 *NEW SOCIETY*, 358.

47. See HOBSBAWM, *supra* note 30, at 209.

48. See S. BEER, *THE BRITISH POLITICAL SYSTEM* 61 (1974).

or the American states. Proposals to create regional governments that perhaps would be on such a level draw little support, except from the Liberal Party.⁴⁹ In fact, the Thatcher government has moved to centralize local government spending even more, and is now trying to abolish the Labour-controlled Greater London Council, one of the few local government units with the resources to act independently.⁵⁰

Another political development of the twentieth century that has contributed to the renewed dominance of London over the provincial cities has been the rise of strong centralized parties.⁵¹ Ironically, the extra-parliamentary organized political party was very much a product of the rising influence of the northern cities in the late nineteenth century. Joseph Chamberlain's National Liberal Federation, based in Birmingham, was the template.⁵² But during the twentieth century (especially since the Second World War), the stronger the party organizations have become, the more they have gravitated towards London. There, in the case of the Labour Party, they can better monitor their M.P.'s and ministers and, in the case of the Conservatives, can better serve them.⁵³

An important result of the rise of the parties has been the decline of the influence of individual M.P.'s. Party discipline is very strong, and the threat of expulsion of defectors from the party is very real. In consequence, M.P.'s have less room to maneuver than, for example, their American counterparts. They cannot trade their votes for favors for their constituencies, because their votes in reality are not their own; they belong to the party.⁵⁴

Furthermore, both Labour and Conservatives put themselves forward as national parties, for they both have had chances to win seats in all regions of Britain (with the exception of Northern Ireland), and, at least before the rise of Margaret Thatcher, both have tended towards centralization in both policy and ideology.

49. See *id.* at 59-62, 216-17; D. BUTLER & D. KAVANAGH, *THE BRITISH GENERAL ELECTION OF OCTOBER 1974*, at 76 (1975) (hereinafter cited as *OCTOBER 1974 ELECTION*); D. BUTLER & D. KAVANAGH, *THE BRITISH GENERAL ELECTION OF 1979*, at 159 (1980) (hereinafter cited as *1979 ELECTION*).

50. The bill aimed at achieving this was defeated in the House of Lords. *The Times* (London), June 29, 1984 at 1, col. 2. However, the government still plans to postpone the 1985 elections for a new G.L.C. *The Times* (London), July 4, 1984, and possibly to reintroduce the bill.

51. See S. BEER, *supra* note 48, at 135-79.

52. See H. BROWNE, *supra* note 30, at 321-41. See also M. WEBER, *ECONOMY AND SOCIETY* 984 (1978).

53. See A. BALL, *supra* note 10, at 216-17, 225-26.

54. "Backbenchers" (individual M.P.'s without government or party offices) do have some influence on their leaders, but only if they threaten to act in concert. Even then, they are clearly not as free to maneuver as are U.S. Representatives. See S. BEER, *supra* note 48, at 121-27.

Labour, under the influence of the Fabians, and especially of the Webbs, rejected early the anarcho-syndicalist tendencies of some European socialist parties and advocated a program based on progressive reform and rational, "scientific" planning of the economy.⁵⁵ By 1945, when Labour obtained its first overall majority of the House of Commons, partly because the leadership had been influenced by their experiences with state-directed industry during the Second World War, the party had abandoned even the Webbs' original emphasis on local or municipal control of industry in favor of nationalization and central planning.⁵⁶

The Conservatives, although they generally opposed schemes for the radical redistribution of wealth, centered their coalition around protectionism, patriotism and pragmatism.⁵⁷ They put a great deal of emphasis on national unity, whether stemming from Disraeli's romantic ideals of "one nation" or from implacable opposition to Irish Home Rule and the breakup of the Empire.⁵⁸ In the 1930s they showed themselves to be quite willing to support government intervention into the economy as long as they thought it would "work."⁵⁹

Indeed, the lack of any successful party which represented the interests of a particular region from the time the Irish won independence in 1922 until the 1970s, coupled with the dominance of national parties, perhaps strengthened the tendency to view the regional problem in a technocratic way. If there had been strong regional parties, competing for influence and a share of the spoils, then a non-conflictual view of regional policy might have been far more difficult to sustain.

Finally, one should not forget developments in the wider culture. In the last hundred years, the British press has become largely national and London based. Even the Manchester Guardian dropped its identification with the city of C.P. Scott and moved to London.⁶⁰ Furthermore, the British Broadcasting Corporation ("B.B.C."), despite a few "regional" programs, has always been highly centralized and metropolitan, as is most artistic activity, literary, musical and theatrical.

The net result of all this was a drift of population, economic activity and political influence towards the southeast. However, it was not until the 1970s that such resentments that this may have engendered made

55. R. BARKER, *supra* note 26, at 29-34.

56. A. BALL, *supra* note 10, at 162-66.

57. *Id.* at 106, 156.

58. Beer comments that, "[l]ike Socialist Democracy, Tory Democracy legitimizes a massive concentration of political power." S. BEER, *MODERN BRITISH POLITICS* 91, *quoted in* BALL, *supra* note 10, at 153.

59. A. BALL, *supra* note 10, at 105-06.

60. A. J. P. TAYLOR, *supra* note 30, at 322.

any impact on politics. Britain seemed to have a stable national two-party system. Both parties had their strongholds—Labour in the old mining areas, the Conservatives in the comfortable suburbs of London—but no serious geographical disparities were apparent.⁶¹ But by the election of 1983, a crushing Conservative victory, Labour had lost nearly every parliamentary seat that it had held in southern England outside the working class districts of London. The north of England, in contrast, stayed solidly with Labour. Scotland, meanwhile, and to a lesser extent, Wales, had developed a political system almost completely separate from that of England, with four parties including the Scottish National Party ("S.N.P."), and an apparently permanent Labour majority of M.P.'s.⁶²

British politics had become regionalized. The S.N.P. attracted only 5% of the vote in Scotland in the General Election of 1966. Its share rose to 11% in 1970, 22% in February, 1979, reaching a maximum of 30% (beating the Conservatives into third place) in October, 1974, but then falling back to 17% in 1979. The Welsh Nationalists (Plaid Cymru) also improved their showing, although not as spectacularly, mainly because their appeal, unlike that of the S.N.P., was almost exclusively rural,⁶³ and perhaps also because Wales, unlike Scotland, was not the site of a major oil discovery in the late 1960s.

In response to demands for devolution of legislative power to regional assemblies in Edinburgh and Cardiff, the Labour party had included a scheme for devolution in its February 1974 manifesto.⁶⁴ The scheme was weaker than that hoped for by the Nationalists; the assemblies would lack proper taxing powers and their measures could be vetoed by the central government's Secretary of State for Scotland or by the London Parliament with no local override possible.⁶⁵ Despite these weaknesses, the Scottish electorate narrowly approved the scheme in the referendum.⁶⁶ The Welsh electorate rejected the scheme suggested for them by a margin of more than four to one.⁶⁷

Unfortunately, anti-devolution backbench M.P.'s from both the Labour and Conservative parties (but mainly from the former), had previ-

61. Although it appears that the regional trend in voting dates to the mid 1950s, this trend was not apparent at the time. Curtice & Steed, *Appendix 2: An Analysis of the Voting*, in 1979 ELECTION, *supra* note 49, at 402.

62. See D. BUTLER AND D. KAVANAGH, *THE BRITISH GENERAL ELECTION OF 1983, passim* (1984) (hereinafter cited as 1983 ELECTION).

63. 1979 ELECTION, *supra* note 49, at 356.

64. OCTOBER 1974 ELECTION, *supra* note 49, at 76.

65. Compare this with the aims of the S.N.P. Manifesto, *id.* at 70, 71.

66. This vote was 51.6% to 48.4%. Miller, *The Scottish Dimension*, in 1979 ELECTION, *supra* note 49, at 115.

67. *Id.* at 115 n.6.

ously combined to force the government to accept the so-called "Cunningham Amendment," which obliged the Secretary of State for Scotland to lay a resolution before the House of Commons repealing devolution if it appeared to him that less than 40% of the total Scottish eligible electorate had voted for the proposal.⁶⁸ In the event, only 33% of the total electorate voted "yes," and despite some hope for a last minute deal, or for the defeat of the repeal resolution on the floor of the House, the S.N.P. lost patience with the government and put down a motion of no confidence.⁶⁹ The Conservative opposition responded by putting down its own motion the next day. That motion, debated on March 28, 1979, was passed on by one vote—311 to 310—and the Labour government fell.⁷⁰ But the subsequent election was dominated, in England at least, by questions of the economy and the power of the unions. The Conservatives won an absolute majority in the Commons⁷¹ and devolution consequently disappeared from the parliamentary agenda.

But if the election of 1979 was a defeat for the Celtic Nationalists, in other ways it confirmed the advance of regional politics. Whereas southern England swung by about 7% to the Conservatives, northern England swung by only 4%,⁷² a difference not entirely explicable by the differences between urban and rural constituencies that had become obvious since the 1950s. At the same time, traditional party allegiances by class weakened. Labour won only 45% of the working class vote and came within two points of losing first place in the skilled working class to the Conservatives.⁷³ On the other hand, the only group of voters which moved appreciably to Labour, apart from Clydeside Scots, was professionals and managers, about 22% of whom voted Labour.⁷⁴

The 1979 pattern was repeated emphatically in 1983.⁷⁵ Indeed, the rise of the Alliance reduced Labour to third place in most of the south outside London, while the Conservatives failed to make significant gains in the north, despite divided opposition.⁷⁶ The fate of the Alliance is a little paradoxical. In the 1970s the rise of the Liberal party from 7.5% of the vote in 1970 to over 20% of the vote in England in both the 1974

68. *Id.* at 111-12.

69. *Id.* at 115, 118.

70. 1979 ELECTION, *supra* note 48, at 126.

71. *Id.* at 353. *See also id.* at 336-51.

72. Curtice and Steed, *supra* note 61, at 395.

73. 1979 ELECTION, *supra* note 48, at 343, 350.

74. *Id.* at 343, 350.

75. The Sunday Times (London), June 12, 1983, at 17, col. 1; The Times (London), June 11, 1983, at 4-8; The Times (London), June 10, 1983, at 1 *passim*.

76. *Id.*

elections⁷⁷ might have been seen as connected with English regionalism. Admittedly the Liberals did well in rural areas and small towns throughout England and Wales, but they did best, to the extent of winning seats, on the periphery. Cornwall and Devon in the extreme south-west were two of their strongholds as was the northernmost seat in England, Berwick-upon-Tweed. They also won geographically isolated seats, such as the Isle of Wight and the Isle of Ely, and did well in socially and economically isolated districts in inner city Liverpool and Newcastle.⁷⁸

In 1983, however, the Alliance of Liberals and Social Democrats suffered precisely because it was not a regional party, whereas both Labour and the Conservatives were. The Alliance won 23 seats in Parliament (out of 650) with 27% of the popular vote. With 28%, the Labour party won more than 200 seats, and with 42% the Conservatives won nearly 400. One reason for this peculiar result was that Alliance candidates tended to do quite well everywhere, but not well enough to win. Labour, on the other hand, made up for disastrous third places in the south by winning constituencies in the north and in Scotland. The Conservatives won in the south and midlands, holding on to their handful of northern rural and suburban seats because of the divided opposition, and came in with an increased majority in the Commons for a reduced share of the vote.⁷⁹ It turns out, then, to be an unexpected property of the British electoral system—unexpected because of the previously national appeal of two dominant parties—that it strongly favors regional parties over national parties, at least when there are more than two major parties in contention.

Finally, some mention should be made of politics beyond the ballot box. One of the major political actors of the 1970s was the National Union of Mineworkers ("N.U.M."). For nearly half a century after its defeat in the General Strike of 1926, the N.U.M. was fairly quiescent. Although coal mining was nationalized by the 1945-51 Labour government, the industry continued to decline.⁸⁰ But in the early 1970s the situation changed. Partly because the oil crisis gave coal an unexpectedly renewed importance, and partly in protest against the Heath government's anti-union policies, the N.U.M. started to oppose pit closures more vigorously, and to make very large wage claims. This led to two

77. See Tables on Election Results, OCTOBER 1974 ELECTION, *supra* note 49, at 249-9; D. BUTLER AND D. KAVANAGH, THE BRITISH GENERAL ELECTION OF FEBRUARY 1974, at 278 (1974) (hereinafter cited as FEBRUARY 1974 ELECTION).

78. 1979 ELECTION, *supra* note 49, at 407, 90; A. BALL, *supra* note 10, at 187.

79. *Supra* note 75.

80. Cable, *supra* note 1, at 172.

major strikes, the second of which, in the winter of 1973-74, contributed to the downfall of Heath's administration. The Conservatives called a snap election, hoping to capitalize on a surge of anti-union sympathy. This never happened. The Conservatives lost the election⁸¹ and the miners won their strike.⁸²

The coal mining areas are approximately coextensive with the traditionally depressed regions of Britain. Indeed, aid to mining villages was the major objective of the earliest regional policy in the 1920s and 1930s.⁸³ Although not the standard interpretation of the N.U.M.'s activities during the past fifteen years, there is some evidence to support the view that regional resentments contributed to the N.U.M.'s renewed militancy. The union's sponsored M.P.'s were prominent among a group of well organized northern Labour backbenchers who opposed devolution for Scotland on the grounds that it would cause the north of England to suffer.⁸⁴ One of the first actions taken by the union's new president, Arthur Scargill, in 1982, was to remove the N.U.M.'s headquarters from London to his native South Yorkshire.⁸⁵ Finally, the union itself is now clearly divided on regional lines. Miners from the relatively prosperous East Midlands region refused to join the most recent strike, provoking violent scenes on picket lines where Scottish, Welsh and northern English miners had gathered to protest. Furthermore, in May 1984, northern English public sector unions ignored central union advice and staged short protest strikes in support of the miners.⁸⁶

Perhaps being a miner threatened with the loss of one's livelihood through pit closures is itself sufficient to produce the resentment the miners so clearly feel. So the fact that these areas happen to be Labour strongholds in northern England, Scotland and Wales may be more effect than cause. Cause and effect are difficult to disentangle; regional resentment may cause miners to feel their industrial grievances more distinctly, while at the same time the industrial grievances might suggest regional discrimination as an explanation. However, given the wider scope of the political changes towards regionalism, it is reasonable, at least, to look for regional motives in the miners' union's actions.

Clearly this whole story does not prove that regional loyalties have become the dominant factor in British politics. More detailed analysis

81. FEBRUARY 1974 ELECTION, *supra* note 77, at 252.

82. OCTOBER 1974 ELECTION, *supra* note 49, at 26.

83. Randall, *supra* note 11, at 19.

84. Miller, *supra* note 65, at 99.

85. Stephen, *What Drives Arthur Scargill*, The Sunday Times (London), July 15, 1984.

86. The Times (London), May 22, 1984, at 1.

of occupational groups and the social background of voters might reveal patterns which are not visible when merely examining commonly-used social class scales. However, there has been a change since the mid-1960s, and regionalism has something to do with it.

The question now for consideration is how, if at all, this shift in political patterns affected regional policy. William Miller,⁸⁷ for example, suggests that the north of England was “showered with government aid” in 1977 in an attempt to allay the fears of the local M.P.’s that Scottish devolution would threaten their region. More generally, to what extent did the outbreak of open regional conflict “politicize” regional policy—that is, were the technocratic considerations mentioned above⁸⁸ still dominant, or was aid and general government spending directed rather to areas of regional protest? Furthermore, with the Conservatives opposed to devolution but with Labour wavering, was there any difference between the policies of the two parties’ administrations? Indeed, some suggest that the Conservatives’ new role as representatives of only affluent southern England has contributed to their willingness to abandon, or at least severely curtail, regional aid. Or did the threat of third parties, Celtic and Liberal, result in a community of interest between the two established parties, leading to a fairly stable pattern of distribution of aid? The remainder of this article will address some of these questions.

B. *Alleged Justifications and Goals of Regional Policy*

Before plunging directly into those questions, it may be useful to pause in order to consider in more detail what British governments have traditionally held to be the justifications for regional policy.

It is characteristic that the British government’s first conscious sallies into regional policy in 1928 and in 1934 to 1937 had apparently contradictory rationales. In 1928, the Conservative government of Stanley Baldwin decided that there was indeed a regional problem insofar as unemployed coal miners, with little chance of other employment in their isolated communities, lacked the requisite information and resources to migrate to the southeast and to the midlands where jobs were plentiful. Therefore, the Ministry of Labour set up the “Industrial Transference Board,” which in turn set up schemes of grants and loans for unemployed miners who wanted to move south and east. In ten years, about 200,000 moves were assisted,⁸⁹ which might well have been judged a

87. Miller, *supra* note 65, at 108.

88. See *supra* TAN 23-29.

89. MacCallum, *supra* note 2, at 4.

modest success had not the depression overtaken events, making jobs scarce throughout the country.⁹⁰

The original policy of taking the workers to the work was supplemented in 1934 by attempts, initially woefully underfunded, at taking work to the workers. By 1937 the "special areas" of Central Scotland, West Cumberland, the northeast of England and south Wales benefitted from a wide variety of schemes including direct financial assistance to small firms in the form of loan guarantees, tax advantages and, most notably, government-built factories let to firms at cost. The policy had some oddities—for example only areas outside the major cities of the assisted areas qualified for aid. The cities themselves, including Glasgow, Newcastle and Cardiff, where unemployment was slightly lower, missed out completely. Furthermore, some areas whose unemployment rates were even higher than those of the designated areas received no assistance.⁹¹

The explanation for both these peculiarities is probably that these measures were originally aimed specifically at coal mining. In a way, this was as much early industrial policy as regional policy. Perhaps one ought to remember that these events took place in the decade following the General Strike of 1926, the prime mover and protagonist of which was the miners' union.⁹² Although the miners lost that strike, the potential to disrupt the social peace that they had shown was firmly established in the minds of Conservative politicians. Transferring miners to nonmining occupations, either by encouraging them to migrate or by trying to diversify the local economy, would remove a major source of discontent and tend to reduce the importance of the miners' union. The policy may not have been so contradictory after all.

The depression was brought to a close by rearmament and war. Regional policy did not go away, however. Indeed, there was a new consideration which overrode even unemployment—namely the dispersion of key war industries to the north and west of the country to escape German bombing.⁹³ Even before the war the government had already charged a Royal Commission, usually known by the name of its chairman, Sir Montague Barlow, to

inquire into the causes which have influenced the present distribution of industrial population . . . to consider what social economic or strategical disadvantages arise from concentration of industries . . . and to report

90. *Id.*

91. *Id.*, at 5ff; Randall, *supra* note 11, at 19ff; McCrone, *supra* note 6, at 91ff.

92. See generally A.J.P. TAYLOR, *ENGLISH HISTORY, 1914-1945* (1965); HOBBSBAWM, *supra* note 30; GAMBLE, *supra* note 16.

93. See *LOCATION OF INDUSTRY*, *supra* note 21, at 178-93.

British Regional Policy

what remedial measures if any should be taken.⁹⁴

The Barlow Commission's report of 1940 remained in cold storage until the end of the war, but its approach became the standard against which all future policy was measured. Barlow's main concern appears to have been not unemployment in the poorer areas, but rather "congestion" in London and the southeast. Barlow put this forward as a reason for a comprehensive regional policy that went beyond the immediate relief of suffering miners, and suggested instead that the country as a whole would benefit if jobs were created in areas outside the southeast. Congestion, which brought with it pollution and low fertility, among other things, was bad for everyone.⁹⁵ The Report is therefore important for its emphasis on the notion that regional policy is a matter of efficiency, not merely of distribution or fairness.

Furthermore, Barlow emphasized a "reasonable balance" of industrial development,⁹⁶ itself an interestingly ambiguous phrase. It connotes not only fairness as between regions, but also the idea that the overspecialization of regional economies, "unbalanced" development, might lead to diseconomies for the economy as a whole because of needless vulnerability to recession, wasted infrastructure and strategic vulnerability in wartime. This confusion of purpose is so persistent a feature of British regional policy, perhaps until the present government, that one might regard it as almost deliberate.

The Labour government of 1945-51, accepting the diagnosis of the Barlow Report, felt that prewar regional policy had failed because it had concentrated only on the depressed areas and had not given enough attention to discouraging development in the better off (and therefore "congested") southeast and midlands. To correct this as part of their town and country planning controls, the Labour government introduced a system of "industrial development certificates" ("IDC's") under which firms which wanted to expand or build in "congested regions" had first to obtain the permission of central government. The process, itself a disincentive for investment, gave government officials an opportunity to inform firms of the benefits of setting up in depressed areas (or "development areas," as the 1945 Distribution of Industry Act called them) as well as the power to forbid development outright, if

94. ROYAL COMMISSION ON THE DISTRIBUTION OF THE INDUSTRIAL POPULATION, CMD. 6153, at 1 (1940), *quoted in* MacCallum, *supra* note 2, at 5.

95. *See* MacCallum, *supra* note 2, at 6 (discussing substance of Barlow Commission Report).

96. ROYAL COMMISSION ON THE DISTRIBUTION OF THE INDUSTRIAL POPULATION, CMD. 6153, at 201-02 (1940), *quoted in id.*; *see also* Randall, *supra* note 11, at 27 (discussing Barlow Commission).

necessary.⁹⁷

Despite the fact that regional policy was supposed to be an attack on the horrors of "congestion" and good in itself, the government's zeal for turning down IDC applications lasted only as long as it took to get a general economic recovery on the move.⁹⁸ The Conservative government of the 1950s followed a very similar policy—the incentives were left in place, but IDC control was exercised in a very relaxed manner. Then in 1958, as unemployment began to rise again (especially in the development areas, where it was again apparent that their traditional heavy industries were in a state of permanent decline), regional policy was miraculously revived.⁹⁹ New incentives were devised and IDC control tightened. In the following eight years, under the MacMillan and Home Conservative governments, and then under Harold Wilson's first Labour administration, the development areas were expanded to include most of Scotland and northern England, areas of both southern and northern Wales, and, for the first time, of southwest England—generally regions with low average incomes as well as high unemployment. In 1967 Labour introduced R.E.P. in response to criticism that existing regional policy encouraged only capital intensive operations to move to development areas.¹⁰⁰

Meanwhile the expansion of the development areas had rather diluted the effect of regional policy for the mining areas so that, in conjunction with other measures such as protection from foreign competition, many of the original "special areas" were declared "special development areas" and given even more aid. Furthermore, following the report of the Hunt Committee in 1969, which suggested that areas adjacent to development areas were suffering disproportionately because of their proximity and their unaided status, a whole new tier of "Intermediate Areas" was invented for which an "intermediate" level of support was provided.¹⁰¹

Throughout this period and beyond, governments also claimed to be using infrastructure spending and government contracts as instruments of regional policy. In 1970 John Horam described the new Conservative government's announcement that it would henceforth be using infrastructure spending as a major instrument of regional policy, on the

97. MacCallum, *supra* note 2 at 7ff; Randall, *supra* note 11 at 25ff; G. McCrone, *supra* note 6, Chapter 4.

98. MacCallum, *supra* note 2, at 9-10.

99. *Id.* at 10-12.

100. See *supra* TAN 7-15.

101. MacCallum, *supra* note 2; Randall, *supra* note 11.

British Regional Policy

grounds of "cost-effectiveness," as "curious logic."¹⁰² He considered infrastructure spending as desirable, but much less cost-effective in creating jobs than direct grants. Nevertheless politicians, especially Conservative ones, have continued to press the claims of this style of policy.¹⁰³

During the rest of the 1970s the major concern seems to have been achieving increased flexibility and recognizing the special problems of the inner cities.¹⁰⁴ However, MacCallum's calculations suggest that whereas in 1969-70 47% of the regional policy expenditure went in as-of-right programs (R.E.P. and S.E.T.), in 1974-75 as-of-right programs (R.E.P. and S.E.T., and Regional Developmental Grants) accounted for 71%, and by 1977-78 the figure had reached 80%, despite the fact that R.E.P. had been abolished.¹⁰⁵ That is, the proportion of regional policy funds that could be classified as "discretionary" actually fell during the 1970s, despite the much-publicized use of section 7 of the 1972 Industry Act which gives the government almost complete discretion to disburse funds to industry in assisted areas.¹⁰⁶

But even if flexibility was not achieved, several programs aimed specifically at decaying inner-city areas were implemented,¹⁰⁷ from land reclamation aid to the Conservatives' controversial enterprise zones.¹⁰⁸

Overall, however, there has been a high degree of continuity in official attitudes toward regional policy, at least until 1979 (except for 1970-71). The overriding aim seems to have been reducing serious discrepancies in regional unemployment rates. According to MacCallum, "[t]he problem of the trade-off between regional welfare distribution and national economic efficiency has generally been ignored, or at least heavily downplayed."¹⁰⁹ In fact "congestion" theories have been used to suggest that, on the contrary, a more equal distribution would be economically

102. 813 PARL. DEB. H.C. (5th ser.) 770 (1971) (debates).

103. For recent statements of this opinion see 46 PARL. DEB. H.C. (6th ser.) 751, 753-54 (1983) (debates) (statement of D. Trippier); *id.* at 705ff (statement of G. Rippon).

104. 41 PARL. DEB. H.C. (6th ser.) 4 (1983) (debates) (statement of N. Lamont). Gudgin, Moore and Rhodes, *supra* note 1; MacCallum, *supra* note 2, at 35; Hughes, *An Urban Approach to Regional Problems*, in REGIONAL POLICY: PAST EXPERIENCE AND NEW DIRECTIONS (D. Macellan & J. Parr eds. 1979).

105. MacCallum, *supra* note 2, at 323-33 (assuming that R.D.G.'s, R.E.P. and S.E.T. and tax items are as of right and the remainder discretionary). See also INDUSTRIAL AND REGIONAL DEVELOPMENT, CMD. No. 4942 (1972).

106. See *Burman v. Thorn, Ltd.*, *supra* note 8. The present Conservative government has promised to reduce as-of-right programs in favor of "selective" aid. See *The Times*, (London), Dec. 14, 1983.

107. See *supra* note 3.

108. 46 PARL. DEB. H.C. (6th ser.) 751-57 (1983) (debates); *The Times* (London), Jan. 14, 1984.

109. See *supra* note 2.

efficient. MacCallum also points out the emphasis placed in the programs of both parties on encouraging private investment rather than relying on job creation schemes or on direct public investment.¹¹⁰ However, he probably overstates the degree to which the programs have been unspecific and non-selective because they covered broad, large regions.¹¹¹ It is true that little in the way of German-style "growth center" planning was attempted.¹¹² Nevertheless, there has often been an apparent bias towards certain sectors of industry, especially mining, manufacturing and construction,¹¹³ which itself brings a degree of specificity.

In sum, the stated aim of regional policy in the 1970s remained the elimination of disparities in regional unemployment. Some lip service was paid to "efficiency" considerations along the line of the old "congestion" theory, especially by the Labour Party, but "growth point" theories remained largely of academic interest only. The favored instrument of policy was still the encouragement of private investment by means of various sorts of subsidy. However, an interest in flexibility (and perhaps also in retrenchment) on the part of the Conservatives led to a new emphasis on the use of infrastructure spending for this purpose.¹¹⁴ It has been argued that the general increase in unemployment since 1970 has made traditional regional policy irrelevant,¹¹⁵ but there is little evidence of this, apart from the inner city programs, in the choice of policy instruments.

110. *Id.* at 36; *but see* TAN 2.

111. The official view before the Thatcher administration was that "regional incentives work best if the areas in which they are available are broad and stable." 888 PARL. DEB. H.C. (5th Ser.) 54-55 (1975) (debates). But note the new Conservative view that "concentration" is more important. 970 PARL. DEB. H.C. (5th Ser.) 1302-21 (1979) (debates) (Sir K. Joseph).

112. Randall, *supra* note 11; G. Hallett, *British Regional Problems and Policies*, in HALLETT, RANDALL & WEST, *supra* note 11, at 77-78; G. Hawlet, *Regional Policies in the E.E.C.*, in *id.* at 61-62; E. West, "Pure" versus "operational" Economics in Regional Policy, *id.* at 127-31. However, there is no mention of "growth points" in most official statements of policy. *See, e.g.*, INDUSTRIAL AND REGIONAL DEVELOPMENT, CMD. NO. 4942 (1972).

113. *See* Cameron, *supra* note 14. It may be, however, that sectoral biases in regional policy are mostly a way of concealing the strains between industrial and regional policy.

114. Although this article is concerned only with domestic policy, some mention should be made of E.E.C. regional policy, which aroused both political and academic interest during the 1970s. Its overall effect on the pattern of British regional policy has not, however, been very great because (1) only regions eligible for domestic regional aid were eligible for E.E.C. aid; (2) the sums involved are relatively small and (3) in some cases the E.E.C. money was used merely to pay for existing domestic programs, not to create new ones over and above the local arrangements. *See* G. HALLETT, *Regional Policies in the E.E.C.*, in G. HALLETT, P. RANDALL & E.G. WEST, *supra* note 11; Cable, *supra* note 1, at 210-11; McLenna, *Regional Policy in a European Framework*, in REGIONAL POLICY: PAST EXPERIENCE AND NEW DIRECTIONS 245-71 (D. MacLenna & J. Parr eds. 1979).

115. *See* Randall, *The Changing Nature of the Regional Economic Problem Since 1965*, in REGIONAL POLICY: PAST EXPERIENCE AND NEW DIRECTIONS 111-30 (D. MacLennan & J. Parr eds. 1979).

III. *A Quantitative Investigation*

It remains to be seen how the assorted justifications and goals for regional policy outlined above relate to the alleged "regionalization" of British politics in the 1970s. At this point I propose to make a sudden change in method and to use some of the statistics that the British government has been issuing on the regional economies since the early 1970s.¹¹⁶ Unfortunately, most of these series go back no further than 1971, so that comparisons with previous decades will not be possible. However, future historians will have a place to begin.

A. *Variables*

The question I wish to answer is what actually determined the distribution of regional aid to the various parts of the country. Was it purely a matter of unequal unemployment rates and an attempt to prevent "congestion," or were political factors also significantly involved? The first step is to specify the variables to be explained. The preceding section suggested that there were two sorts of regional aid in the 1970s, the specifically regional policy programs (R.E.P., S.E.T., Regional Development Grants, section 7 grants) on the one hand, and infrastructure spending by government on the other. The former were entitlement programs for the most part, while the latter were very much more discretionary. However, it would be wrong to think of infrastructure spending as completely flexible, if only because public works, such as roads, hospitals and schools, need planning and funding over a period often spanning several years.

I want to explain the geographical distribution of this spending. For statistical purposes the government recognizes eleven standard regions. However, many regional policy decisions made by central government, for example the classification of the country into special development, development and intermediate areas, are arrived at by using areas of a much smaller size.¹¹⁷

The eleven standard regions include Northern Ireland, a region that has a distinct political system and has been treated so differently in terms of regional policy from other regions in Britain, that it will be excluded from the present analysis. Of the other ten regions, all of them mainland, several (such as Scotland, Wales, the North of England, Yorkshire and Humberside, and the North West) have boundaries that

116. Since 1975 this data has been published annually in the November issue of *Economic Trends*.

117. The "travel to work" areas (very approximately a town of more than 100,000, plus its suburb). See, e.g., 970 PARL. DEB. H.C. (5th ser.) 480-95 (1979) (written answers).

possess independent significance as cultural, as well as political dividing lines. The rest (the South East, South West, East Anglia, East Midlands and West Midlands) have boundaries that lack such independent significance. While some of these regions can be viewed as characterized by a city possessing a clear character (for example, London, Birmingham and Bristol) surrounded by a less easily defined hinterland,¹¹⁸ as a whole they are somewhat lacking in distinct political and cultural identity.

The result is that the figures I shall be using are aggregates and averages of distribution within regions, and should be treated with caution when attempting to draw conclusions.¹¹⁹ Nevertheless, I shall use as my "dependent variables" (that is, the things to be explained) the per capita¹²⁰ regional aid and public investment given to each region across the entire decade from 1971-80.¹²¹

Choosing the "independent variables" (the things with which one explains) is a rather more difficult task. There are many candidates available; they are often highly interrelated and difficult to pry apart. In such a situation, it is tempting to throw in almost anything that might be relevant. However, the risks of confusion and distortion due to the use of irrelevant variables—particularly in view of the lack of data—on balance outweigh the risk of missing an important influence by careful pre-screening of the information.¹²² Therefore, I will use only four independent variables.

The leading candidate for inclusion is clearly regional unemployment. The most frequently-mentioned policy goal of all government in regional policy has been the elimination of discrepancies in unemployment. Unemployment rates also have the advantage of measuring inter-regional economic inequalities in general. The problem with other candidates for inclusion, such as gross domestic product by region, is that they are measured in money terms; yet there is no reliable informa-

118. See LAW, *supra* note 22, at 25-31.

119. E.P. THOMPSON, *supra*, note 33, at 213ff.

120. The population of nine of the ten regions is about the same (3-7 million), but the tenth, the Southeast, has a population of around 17 million. Hence the use of per capita figures.

121. "Regional Aid" is "gross payments of regional aid" (including that paid to nationalized industries) *i.e.* investment grants (1970-74); regional development grants (from 1972), selective financial assistance under § 7 of the Industry Act, 1972; Local Employment Acts assistance (grants, loans and factory buildings) and Regional Employment Premium (ceased January 1977). See 996 PARL. DEB. H.C. (5th ser.) 208, 317 (Scotland), 344 (Wales), (1980), (written answers); 6 PARL. DEB. H.C. (6th Ser.) 18 (1981); see *Economic Trends*, Nov. 1977, at 97; *id.* Nov. 1981, at 108, *id.*, Nov. 1982, at 109. Public investment is largely infrastructure spending. It includes some local government spending, but much of this is centrally funded, see S. BEER, *supra* note 47, and in any case, a regional infrastructure spending policy should take local spending into account in judging interregional equity.

122. See, *e.g.*, J. KMENTA, *ELEMENTS OF ECONOMETRICS*, 391 ff. (1971).

tion on price level differences between regions. Anecdotal evidence suggests that, for example, the cost of living in London is much higher than that in the rest of the country. Therefore it is not possible to assume that price levels are uniform throughout the regions. Yet, it is equally impossible to find data that would allow researchers to take any such differences into account accurately. With regional unemployment, this difficulty does not arise.

Regional unemployment is an equality or "economic justice" variable rather than a technocratic variable. What we need now is a simple measure of "congestion." One candidate is population density—the number of people per square mile. This measure has the advantage of being direct. However, its decisive disadvantage is that there are just as great if not greater differences within regions than there are between them. In Scotland, for example, 5.2 million people—9% of the total population of the United Kingdom—live in an area of 79,000 square miles, or 32% of the total area. This makes it sound like a sparsely populated area. However, 60% of those 5.2 million live in a band of land that lies across the center of the country, between Glasgow and Edinburgh, which makes up only about an eighth of the country. Most people in Scotland therefore live in a very densely populated environment and it is this that probably matters most to anticongestion policy. The variable I shall use instead is one that captures the idea behind "congestion" more accurately, namely the change of population by region, over the entire decade.¹²³

For this purpose, the congestion theory may be restated as follows: Those regions whose populations are rising fastest are those whose economies are in danger of "overheating," while those regions whose populations are falling or growing slowly are those where infrastructure is being "wasted," and where there is a great, unused capacity for growth.¹²⁴

123. For purposes of calculation, all the decennial variables will be expressed as yearly averages over the decade.

124. Other candidates for inclusion might be considered, and were indeed used in previous drafts of this study. One is private industrial investment per head by region, which turns out, perhaps unexpectedly, to be highly positively correlated to regional aid. The difficulty with this variable is producing a useful interpretation for it. One possible interpretation of private investment per capita by region is that it measures the commitment of the policy to a "growth point" theory; that is, the idea that regional policy should work by pouring aid into specific, small areas which have been determined to have great potential for growth. One problem with this is that it tries to measure potential by performance, which is not completely legitimate. Indeed, it is hard to imagine any satisfactory way to measure "potential for growth." Peter Walker, a minister responsible for regional policy in the Heath government of the early 1970s wrote in reply to a Labour backbencher's question: "There are no precise criteria which can realistically be adopted for identifying growth areas. The preparation of regional strategies will establish which areas seem to have the best potential for longer term

Passing from the economic to the political independent variables, again one finds an embarrassment of riches. This study will use only two. The first can be derived from the following, perhaps offhand remark of Professor E.G. West, the economist:

The direct and immediate pressure from the unemployed and others in these regions, *especially if they contain marginal constituencies*, has apparently been too much for all governments to ignore.¹²⁵

The hypothesis is that regions which contain a high proportion of marginal seats (generously defined as seats where there is a gap of less than 5% between the winning candidate and the runner-up),¹²⁶ especially those seats where the battle is being waged between the two major political parties since they most count in winning a parliamentary majority, will receive a greater share of regional aid.

The second political variable is more closely linked to the regionalization thesis. It is third party voting, especially for Celtic nationalists, but also, since we are considering the 1970s and not the 1980s, for the Liberal Party in England.¹²⁷

For each of these variables—percentage of marginal seats by region, and percentage of third party votes by region—I will use the election of February 1974 as a touchstone. The 1970 election occurred before regional politics really began, and the 1979 election was perhaps a turning point as the two largest parties, Labour and Conservative, themselves began to take on distinctly regional aspects. The October election of 1974, the highest point of nationalist support, does perhaps have to claim to be included, but the unusual circumstance of a minority government asking for a majority in the second general election in one year does tend to make it a rather unusual case. In any case, the voting patterns of the two elements in 1974 were not very different.¹²⁸

Thus, the two political variables are the percentage of third party votes cast by region in the election of February 1974, and the percentage of Labour/Conservative marginals by region during the same election.¹²⁹

growth of population and employment." 810 PARL. DEB. H.C. (5th Ser.) 262-63 (1971) (written answers).

125. West, *supra* note 112, at 129 (emphasis supplied).

126. Compare OCTOBER 1974 ELECTION, *supra* note 49, at 338, with FEBRUARY 1974 ELECTION, *supra* note 77, at 225.

127. See *supra* TAN 61-79.

128. OCTOBER 1974 ELECTION, *supra* note 49, at 330.

129. Third party/major party marginals were not included because i) this is intended to be a measure of the effect of major party competition and ii) it might be construed as double counting part of the third party voting effect.

B. *Methods*

The simplest procedure would have been to run simple zero order correlations among the various variables in two sets of five (the four dependents, once with per capita regional aid, and once with per capita public investment). The results are displayed in Tables 1a and 1b.

Table 1

+	RAIDHDEC	=	Regional aid per capita (yearly average 1971-80)
*	PUBIHDEC	=	Public investment per capita (Yearly average 1971-80)
*	UDEC	=	Regional unemployment (yearly average 1971-80)
*	DPDEC	=	Change in population (yearly average 1971-80)
++	MARPC74F	=	Percentage of marginal seats, February 1974.
++	PC3D74F	=	Percentage of third party votes, February 1974.

*Zero order correlations*¹³⁰

a)	RAIDHDEC	UDEC	DPDEC	MARPC74F	PC3D74F	
	RAIDHDEC	1.000				
	UDEC	0.901	1.000			
	DPDEC	−0.639	−0.517	1.000		
	MARPC74F	−0.749	−0.678	0.724	1.000	
	PC3D74F	0.547	0.596	−0.194	−0.447	1.000
b)	PUBIHDEC	UDEC	DPDEC	MARPC74F	PC3D74F	
	PUBIHDEC	1.000				
	UDEC	0.479	1.000			
	DPDEC	−0.585	−0.517	1.000		
	MARPC74F	−0.644	−0.678	0.724	1.000	
	PC3D74F	0.802	0.596	−0.194	−0.447	1.000

The problem with simple (zero order) correlation is that the variables are not controlled for one another. We see, for example, that regional aid and population change are negatively correlated (-0.639), and that regional aid and unemployment are positively correlated (0.901). But we also see that unemployment and population change are negatively correlated (-0.517). Is the negative relationship of population change and regional aid merely a product of the relationship of both to unemployment, or does it exist independently? Zero order correlations can-

130. N. NIE, C. HULL, J. JENKINS, K. STEINBRENNER & N. BENT, STATISTICAL PACKAGE FOR THE SOCIAL SCIENCES 276-300 (2d ed. 1975).

not answer the question. We need a method that controls simultaneously for these effects.

This method is multiple linear regression,¹³¹ which can be seen largely as a way of controlling simultaneously for many independent variables before producing correlations with the dependent variable. It can be used in this descriptive way or in an inferential way;¹³² that is, either as a technique for summarizing and analyzing the data at hand, or, going further, treating that data as a sample of all the possible data and attempting to infer from the sample relationships in the "population" (in its technical sense, that is the whole, "real" world). The tradition in econometrics¹³³ is to take the second route. This is so even though, as in the present study, one can usually argue that the data constitute not a sample of the whole population, but the population itself, so that there would be no need for inferences. After all, these are the only regions that Britain has, and these are the only measurements of these particular variables. However, measurement error in collecting and compiling the figures is always possible, and this particular pattern of ten regions is only one of an infinite number of ways of dividing up the map of the island. Furthermore, many of the regional boundaries are quite arbitrary and the units actually used for much of regional policy decision-making are significantly smaller.¹³⁴ For these reasons, the econometric analysis will for the most part prevail here.¹³⁵

C. *Results*

The results of the multiple linear regressions are given in tables 2a and 2b.

131. See N. NIE ET AL, *id.* at 320-367; N. NIE & C. HULL, SPSS UPDATE 7-9, at 45-64 (detailing methods adopted).

132. N. NIE, ET AL, *supra* note 131, at 321-22.

133. J. KMENTA, *supra* note 122, at 3-4.

134. See *supra* TAN 117.

135. I do break with econometric practice a little by treating macro-level data in a cross-sectional way, rather than in a time-series way. This is necessary because I treat regional aid as a dependent variable. See J. KMENTA, *supra* note 122, at 391.

Table 2

a) Multiple Regression: Dependent Variable *RAIDHDEC*.

Variable	B	Standard Error of B	Beta	T
PC3D74F	0.143	0.814	0.038	0.176+
DPDEC	-345.47	492.58	-0.176	-0.701+
UDEC	9.358	3.445	0.698	2.716*
MARPC74F	-0.244	0.539	-0.131	-0.453+
(constant)	-31.03	25.162		

$$R^2 = 0.861$$

$$F = 7.717 \text{ significance of } F = 0.0229$$

b) Multiple Regression: Dependent Variable *PUBIHDEC*.

Variable	B	Standard Error of B	Beta	T
PC3D74F	2.968	0.583	0.880	5.090**
DPDEC	-899.02	352.97	-0.512	-2.547+
UDEC	-5.072	2.469	-0.423	-2.054+
MARPC74F	-0.279	0.386	-0.167	-0.722+
(constant)	23.185	18.03		

$$R^2 = 0.911$$

$$F = 12.73 \text{ significance of } F = 0.0078$$

** = significant at $p < 0.005$.* = significant at $p < 0.05$.

+ = not significant

The "Beta" figure can be interpreted as a sort of correlation between the dependent variable and the particular independent variable, controlling for all other independent variables.¹³⁶ B is the raw regression coefficient, expressed in the same units as the independent variable. The standard error of B is merely the standard deviation of B, or the "average error in predicting [the dependent variable] from the regression equation."¹³⁷ Assuming the errors to be normally distributed one can be approximately 95% sure that the "real" value of B lies within \pm two times the standard error.

The T statistic is an inferential statistical measure allowing one to test the hypothesis that Beta is different from zero—in other words, that

136. More precisely, the Beta is the change in the dependent variable, expressed in standard deviations, which would be expected with a change of one standard deviation in the independent variable.

137. N. NIE, ET AL, *supra* note 130, at 325.

there probably is a relationship in the direction indicated by the sign of the coefficient between the dependent variable and the particular independent variable. The significance level is a measure of the degree of that probability that this is not the case; a lower level indicates greater statistical significance. R^2 is the proportion of the total variance in the dependent variable "explained" by these independent variables (expressed as a number between zero and one). It is thus a descriptive measure of the power of the whole set of independent variables chosen.

The F statistic may be interpreted as the inferential counterpart of R^2 . Taking into account the size of the sample and the number of the explanatory variables used, it tests the overall "goodness of fit" of the whole regression by testing the null hypothesis that, assuming a random sample, the multiple (that is, total sum) correlation in the population is "really" zero. The higher the F, the better the fit, and the greater the significance of F, the lower the probability that there is no significant relationship expressed by the regression.¹³⁸

D. Discussion

Tables 2a and 2b show a remarkable difference between the determinants of the distribution of infrastructure spending and those of the distribution of regional aid. In the regional aid equation, the only independent variable to be significant at $p < 0.05$ (or better) is regional unemployment, whereas in the infrastructure spending equation, the only significant variable (in this case at $p < 0.005$) is third party voting.

The T values of all the other variables are not significant. It should be noted in addition that the standard errors of the coefficients of the other variables are so large that one cannot say with 95% confidence whether their "real" (population) value is positive or negative. On the other hand, the measures for the overall equations— R^2 and F—are extremely good (0.861 and 0.911 for R^2 , and both F's significant at $p < 0.05$ or better). One possible reason for this situation is suggested by the correlation in Tables 1a and 1b. Regression assumes that the independent variables are independent from one another. When that is not the case, as here, "multicollinearity" is said to occur.¹³⁹ The major adverse consequence of multicollinearity is precisely what we have here, uninterpretable coefficients for several variables because of large standard errors.

138. *Id.*

139. J. KMENTA, *supra* note 122; R. WONNACUTT & T. WONNACUTT, *ECONOMETRICS* 180-63 352ff. (2nd ed. 1979); J. JOHNSTONE, *ECONOMETRIC METHODS* 159-68, (2d ed. 1972); N. NIE, ET AL, *supra* note 130, at 340-1.

The unusual recommendations for overcoming multicollinearity so that interpretable Beta weights can be generated and the relative strengths of the associations between the dependent and the independents compared are not really apposite here.¹⁴⁰ Sociologists often try to collect more data in order to increase the sample size; but with this data, such an effort is impossible. Another technique is to combine variables that are intercorrelated into single "scales" to measure some assumed common underlying quantity, or simply drop a variable and assume the other variable with which it is highly correlated adequately measures that which it had measured before it was dropped. Here, however, we have already reached the minimum number of variables and concepts compatible with any sensible interpretation.

Does this mean that sometimes econometricians just have to put up with multicollinearity and accept the consequences of a reduction in the number of useable coefficients generated by their regressions?¹⁴¹ Not quite; there is something we can do that might increase the number of interpretable results. However, we must lower our sights a little. We have to be content with the knowledge only of the signs (or directions) of the relationships between dependent and independent variables—that is, whether these relationships are positive or negative—and not of the relative strengths of these relationships. To do this, one can, with this data, break down the decennial variables into their constituent single years and then calculate twenty (instead of two) separate regressions.¹⁴² From these results, we can look at the sign, positive or negative, of each independent variable, and then do a simple "sign test."¹⁴³ This test allows us to test the hypothesis that the variable is positive or negative, as the case may be.

The results of this exercise are displayed in Tables 3a and 3b. (The full results of the twenty regression equations are given in the Appendix.) Table 3a shows that the hypothesis that the percentage of marginal seats is not negatively related to regional aid per head can be rejected, and the alternative hypothesis (that they are negatively related) accepted at a significance of $p < 0.05$. That is, translated from

140. See *supra* note 49.

141. R. WONNACUTT & T. WONNACUTT, *supra* note 139, at 354.

142. One-year equations are to be used, without leads or lags because i) it maximizes the number of equations, ii) there are no compelling reasons, theoretical or empirical, to do otherwise. Correlations between the variables are no different from the one-year ones with leads or lags, or at least there is no recognizable pattern suggesting any particular lead or lag. For a time-series model or a path analysis, more consideration to this point would have to be given, of course; but given the multicollinearity, a path analysis would not be very informative.

143. J. FREUND, *MODERN ELEMENTARY STATISTICS* 333-36 (5th ed. 1979); H. HAYSLITT, *STATISTICS* 184-87 (3d ed. 1974).

statistical jargon, there is probably an inverse relationship between the percentage of marginal seats in a given region and the amount of regional aid it gets.

Table 3

a) Dependents = RAIDH71 through RAIDH80.

<u>Year</u>		<u>Independent Variable</u>		
		DP (Yr)	MARPC74F	PC3D74F
1971		—	+	—
1972		+	—	+
1973		+	—	+
1974		—	—	+
1975		+	—	+
1976		+	—	+
1977		—	—	+
1978		—	—	+
1979		+	—	—
1980		+	—	+
Totals				
	positive	6	1	2
	negative	4	9	8
Hypothesized sign		positive	negative	negative
Significance of sign		*	**	*

* = not significant

** = significant at $p < 0.05$

However, the hypothesis that third party voting and population change are not positively related cannot be rejected at the significance level of $p < 0.05$. Nevertheless, the positive relationship between third party voting and regional aid can be accepted at the significance level of $p < 0.01$ for the seven years of 1972 and 1978 inclusive. Interestingly, this is the period of the greatest Nationalist and Liberal activity.

Table 3b shows even more conclusive results. The hypotheses that the relationships between the percentage of marginal constituencies and public investment and between unemployment and public investment are negative can be accepted at $p < 0.001$. Although a negative relationship between population change and public investment cannot be established for the entire decade, such a relationship would be signifi-

British Regional Policy

cant at $p < 0.05$ for the seven years of 1974 to 1980 inclusive.¹⁴⁴

Table 3

b) Dependents = PUB1H71 through PUB1H80.

<u>Year</u>		<u>Independent Variable</u>		
		U (Yr)	DP (Yr)	MARPC74F
1971		—	—	—
1972		—	+	—
1973		—	+	—
1974		—	—	—
1975		—	—	—
1976		—	—	—
1977		—	—	—
1978		—	—	—
1979		—	—	—
1980		—	—	—
		<hr/>	<hr/>	<hr/>
Totals	+ve	0	2	0
	—ve	10	8	10
Hypothesized sign		negative	negative	negative
Significance of sign		***	*	***

* = not significant

*** = significant at $p < 0.001$

From the more detailed results in the Appendix, one might even draw some tentative conclusions about the course of the decade, year by year. The regional aid equations (Appendix 1a) fit best in the early years of the decade (1971-74) and the later years (1978-80). During the middle years of 1975 to 1977, years during which Labour was in office, and which preceded the collapse of Labour's regional and industrial strategy in the face of pressure from the I.M.F. to cut public expenditure,¹⁴⁵ the equations are not a good fit— R^2 and F values are much lower.¹⁴⁶ Clearly, something that escaped inclusion in the equations was having a significant effect on the data we are analyzing for those years.

144. Either by using sign tests or by assuming that there are two different sample means, 1 and 0.33, and testing the hypothesis that the population mean of the first sample is greater than the population mean of the second. *See id.* at 119ff.

145. *See supra* TAN 16-19.

146. This is suggestive only. The R^2 's are not significantly different (at $p < 0.05$) for 1975-77 compared to the rest of the decade.

The public investment per capita equations (Appendix 1b) follow a different pattern. The "bad" years, apart from 1973, which is a puzzling year, are those after 1977. With R^2 values over 0.700, however, these years are not disastrously bad.¹⁴⁷ On the other hand, the period of 1974-1976 is a particularly good one for the equations, with three of the four variables showing up as significant at $p < 0.05$ in two of those years. This period was, again, one of Labour government, and, notably, the period during which there was the greatest nationalist agitation following their good showing in the October 1974 election and the long debate over the Devolution Bills.¹⁴⁸

E. *Interpretation*

How should we interpret these results? The best place to begin is with the clearest relationships, which are the strong positive relationships between regional aid and regional unemployment and between public investment and third party voting. I should say here that correlation is by no means synonymous with causation. But, assuming that the regressions controlled for the most important confounding influences, one can at least use common sense in deciding whether it is more plausible to assume that the independent variable causes the change in the dependent variable, or vice versa. It is possible that increasing aid to a region causes an increase in its unemployment rate, but this is not as plausible as the reverse direction of causation. Similarly, it is possible that public investment in a region causes third party voting there to increase; that more schools, roads and hospitals make people feel so much better that they become liberated from their former political allegiances. But surely it is more plausible to think that third party voting causes public investment—that government is trying to buy back, or at least outbid, those dissidents who would break up the good ole two party system.

If we settle for the more plausible arguments, we should now ask why there is such a contrast between the two relationships. Why does regional aid respond more strongly to unemployment rates than to political influences, whereas public investment, or infrastructure spending, reacts more to politics and, indeed, reacts to unemployment negatively?

The difference may lie in the visibility of decision-making in these two contexts. Regional aid is not only made up largely of entitlement programs, but also is a highly visible political issue. Changes in regional policy generally require the consent of the House of Commons, either in

147. Again the R^2 's are not significantly different at $p < 0.05$. The comment is meant only impressionistically.

148. See *supra* TAN 12, 61-72.

the form of a new bill or as an affirmative resolution.¹⁴⁹ M.P.'s therefore have many opportunities to scrutinize the government's activities, and the government knows that it is being watched. For this reason, it is unlikely that there would be open playing of partisan politics with regional aid. Instead, the rhetoric of regional policy, namely, that it is meant to redress imbalance and injustice in regional unemployment,¹⁵⁰ really counts. The announced bipartisan policy goals were therefore pursued in deed as well as in word—at least until the Thatcher administration.

Levels of public investment, however, are decided in a very different manner. Appropriations of the various departments leave a great deal of discretion to the executive, that is, to senior career civil servants, but also, ultimately, to the ministers and secretaries of state. The Department of the Environment, for example, may be authorized to spend up to a certain amount on road building, or the Department of Education and Science a certain amount of schools, but exactly which roads and which schools is largely left to the departments. No change in the law is usually necessary to start or stop any particular project, and, although individual M.P.'s may show a definite interest in specific plans for their own constituencies, the government is apparently loath to encourage discussion of the overall regional distribution of government expenditure. For example, a Labour backbench M.P. from the West Midlands, Geoff Edge, was told in 1975 by a minister from his own party's government that figures on the total volume of public expenditure by region could not be provided.¹⁵¹ A similar question by the same M.P. to the Ministry of Defense provided an only marginally more cooperative reply which failed to break down the Ministry's spending by region, which was presumably what Mr. Edge most wanted to know.¹⁵²

Furthermore, infrastructure spending is usually justifiable in ways that go beyond purely regional considerations. In contrast, the justifications for regional aid must always be confined to the topics traditionally raised in that regard, whether it be unemployment or "congestion." All this means is that there is rather more leeway for partisan spending in infrastructure spending than in regional aid. Fewer people will notice when such partisan spending occurs with respect to the infrastructure

149. See WADE AND PHILLIPS CONSTITUTIONAL LAW 611-13.

150. See *supra* TAN 12-15, 90-93.

151. 897 PARL. DEB. H.C. (5th Ser.) 15 (1975) (written answers) (reply by J. Barnett, Chief Secretary to the Treasury).

152. 897 PARL. DEB. H.C. (5th Ser.) 103 (1975) (written answers) (reply by R. Manson, Minister of Defense).

spending, and even if people do notice, plausible, nonpartisan explanations are usually available to the government.

These circumstances provided the opportunity for partisan spending. The motive was provided by the Nationalist and Liberal upsurges of the mid-decade, which threatened the domination of the two main parties. Note that although the equations in Appendix 1 suggest that this occurred most under Labour, the Nationalists' and Liberals' most immediate threat was to Conservative seats.¹⁵³ The apparent positive relationship between third party voting and regional aid in the middle years of the decade suggests further that this pressure was so strong that it may have spilled over even into the distribution of the more visible forms of regional assistance.¹⁵⁴

The strong relationships between regional aid and unemployment, and between infrastructure spending and third party voting, are not the only interesting results. The lack of any consistent association between regional aid and population change indicates at the very least that "congestion" was not in practice an overriding concern of makers of regional policy in the 1970s. Perhaps it also shows that Sir Keith Joseph's skepticism about the technocratic merits of regional policy beyond the few jobs it might attract, not from other parts of the country, but from abroad, may have been the operating theory behind the policy even before the Thatcher administration took office—declarations to the contrary notwithstanding.¹⁵⁵

Furthermore, Labour and Conservative governments often sound very similar, especially when they are stressing the role of a *national* economic policy as the key to regional prosperity, leaving to regional policy, apparently, the task of merely correcting discrepancies.¹⁵⁶ No doubt the two parties differ strongly on the way to achieve a prosperous national economy, one favoring intervention, the other *laissez-faire*. Nevertheless, both are likely to see solutions to regional problems in a general,

153. Although in October 1974 the S.N.P. was also threatening Labour seats. See OCTOBER 1974 ELECTION, *supra* note 49, at 138, 325.

154. See *supra* TAN 144-48.

155. See *supra* note 18 (statement of Mr. Joseph); *supra* note 25 (statement of Mr. Horam); see also 894 PARL. DEB. H.C. (5th Ser.) 592-93 (1975) (written answers) (Mr. Barnett stating that regional policy "aims to wipe out unjust and wasteful disparities between different parts of the country.").

156. Compare 44 PARL. DEB. H.C. (6th Ser.) 757 (1983) (debates) (Mr. Trippier, Conservative M.P., stating that "[o]ne of the aims of the government's regional policy is to remove on a stable, long-term basis unacceptable geographic disparities in employment opportunities as far as is consistent with the development of a sound and prosperous national economy.") with 894 PARL. DEB. H.C. (5th Ser.) 592-93 (1975) (written answers) (Mr. Barnett, Labour Minister, "[t]he economies of the regions are mainly affected by the government's overall policies, which are aimed at strengthening the economy of the country as a whole.").

national economic advance.¹⁵⁷

There is some evidence of a negative relationship between population change and public investment. One might interpret this as evidence of infrastructure spending being directed to "uncongested" regions, but one should also take note of the negative relationship between public investment and unemployment. There may be, in this pair of associations, evidence of certain contradictions between the twin goals of "decongestion" and reducing discrepancies in unemployment. Also plausible is the hypothesis that public investment is being directed to places where civil servants want to live. These places are the South East and East Anglia, where unemployment and population growth are both low.¹⁵⁸ As one M.P. put it in a recent debate: "[C]ivil servants are metropolitan minded. It would be easier to take out their back teeth than to persuade them to move to other regions."¹⁵⁹

What is certain, however, is that, whatever the reason, the inverse relationship between unemployment and infrastructure spending is itself at odds with the theory and practice of the specifically regional aid programs. The relative effects of these contradictory influences cannot be calculated here, but it seems clear that those people who think that infrastructure spending is used to combat regional discrepancies in unemployment¹⁶⁰ are probably completely mistaken.

Finally we come to the effect of marginal constituencies. Both the relationship between the percentage of marginal constituencies and regional aid, on the one hand, and that between the percentage of marginal constituencies and public investment on the other, are very probably negative.¹⁶¹ The West hypothesis, that at least the former would be positive, is thus disconfirmed. But what explanation can be offered for these results? Why should, *ceteris paribus*, a low proportion of marginal seats in a region be associated with *both* high regional aid and high public investment?

I can only suggest the following. Having a low proportion of marginal seats implies having a high proportion of relatively safe seats. A high proportion of safe seats means that the region is probably represented time and time again by the same individuals, or at least by the same party. This in turn implies a great deal of stability in the represen-

157. The emphasis on national economic policy has increased as unemployment has risen. See Cameron, *supra* note 14, at 297; Randall, *The Changing Nature of Regional Economic Problems Since 1965*, in REGIONAL POLICY: PAST EXPERIENCE AND NEW DIRECTIONS, (D. Macellan and J. Parr eds. 1979), at 128.

158. LAW, *supra* note 22, at 61, 91.

159. 46 PARL. DEB. H.C. (6th Ser.) 709 (debates) (statement of Mr. Garrett).

160. See *supra* note 2.

161. See Table 3b.

tation of the region. This stability brings with it certain advantages, among which is the potential for representatives to build long-term relationships, both with government departments and with political leaders. Consequently, these representatives have more access to important decision-makers and hence to the decisions they make than do other whose presence is more ephemeral. They are also able to strike longer term deals with their political leaders (and the civil servants attached thereto) since they are more confident of being in Parliament longer and consequently are more able to deliver their side of any bargain, as well as to check up on the other side's progress. In sum, stability leads to access and credibility, and thus to influence.¹⁶²

Indeed, there is some evidence that politicians at least believe in something very similar to this representation of their particular interest, which can be anything from small businesses¹⁶³ to the fine arts, by a minister in the government and perhaps the cabinet. In 1963, in response to an apparent crisis, the Conservative government appointed a minister for the northeast of England.¹⁶⁴ More recently, following riots on the streets of Liverpool, a minister was given special responsibility for Merseyside,¹⁶⁵ followed soon by a minister for the West Midlands.¹⁶⁶ Scotland and Wales have long had their own secretaries of state, often with cabinet rank. Although frequently condemned by opposition politicians as merely symbolic gestures (or as Mr. Prescott, M.P., said, "merely a sop for the election"),¹⁶⁷ these appointments open a door or two. They provide a link in the chain of communication which may be of real help to the interests or people so represented—albeit carried out in an unobtrusive manner.

However, much research must be done in this area before concluding that the representation principle is indeed a good explanation for these relationships. One route possibly worth following is to look at negotiations between central and local government. The representation principle would suggest that towns, cities and countries which are controlled by the same party for long periods of time will do better—*ceteris paribus*—in attracting resources from central government than those whose control frequently changes hands, regardless of which party was

162. See J. MARCH & J. OLSEN, *AMBIGUITY AND CHOICE IN ORGANIZATIONS* 26-27 (1979) (discussing "garbage can decision processes"); see generally O. WILLIAMSON, *MARKETS AND HIERARCHIES* (1975).

163. 46 PARL. DEB. H.C. (6th Ser.) 715 (1983) (debates) (Mr. Meadowcroft discussing influence of Liberal-Labour pacts).

164. 813 PARL. DEB. H.C. (5th Ser.) 846 (1971) (debates).

165. See 46 PARL. DEB. H.C. (6th Ser.) 749 (1983) (debates).

166. *Id.*

167. *Id.*

British Regional Policy

in control of the central government. The topic is intriguing in that it holds out the possibility of extending and developing what sociologists are now calling "organizational field theory," that is, the study of inter-organization networks, into an openly political context.¹⁶⁸

IV. Conclusion

Two final points ought to be addressed. One is the extent to which the relationships discovered in this study, particularly the unexpected ones such as the importance of third party voting in the geographical distribution of public investment, are to be explained as the result of a deliberate policy, or whether the relationships can be explained in some completely different way. The second point is the future of regional policy and politics in the 1980s and 1990s.

Turning to the first point, I may have implied, in my interpretation of the third party voting in relation to public investment results, that government officials diverted public funds to certain regions because of a conscious plan to buy off or outbid third party efforts. This is not necessarily the only way in which the result might have been reached. In my suggestion of a "representation principle" in the role of the presence of marginal constituencies in regional policy, for example, I put forward a rather more incremental, or circumstantial, explanation—that the relationship may flow from the way the various institutions are organized rather than from any deliberate effort by individuals to bring about a certain result. A similar explanation of the effect of third party voting is not obvious, but on the other hand there is no decisive evidence of a concerted plan. The place to look for clues would be in the documents of the Treasury and the Departments of Industry and the Environment. Unfortunately, government documents of this sort are not released to the public until at least thirty years after they are drawn up. Until these become available to us, the statistical evidence I have used is the best information we have.

On the second point, much depends on whether the regionalization of British politics that emerged towards the end of the 1970s will continue. It is possible that the Labour Party will benefit from the Conservative Party's unpopularity and regain footholds in the towns of southern England and the suburbs of London. It is also possible that the Alliance will

168. For organizational field theory, see DiMaggio and Powell, *The Iron Cage Revisited: Institutional Isomorphisms and Collective Rationality in Organizational Fields*, 86 A.J.S. 1116-1116-45; Hannan and Freeman, *The Population Ecology of Organizations*, 82 A.J.S. 929 (1977); W.R. SCOTT AND J. MEYER, *THE ORGANIZATION OF SOCIETAL SECTORS* (1983); see also M. USEEM, *THE INNER CIRCLE: LARGE CORPORATIONS AND THE RISE OF BUSINESS POLITICAL ACTIVITY IN THE U.S. AND THE U.K.* (1983).

begin to win parliamentary seats in all regions of the country, rather than, as at present, having a large popular vote but coming in second place in large numbers of seats. The former is by no means probable, however, and the latter, which may be no more likely, could have the paradoxical effect of complicating regional conflict by transforming both Labour and Conservative into English regional opposition parties.

But it is doubtful whether either of the present opposition parties would break significantly from the policies to which Labour subscribed in the late 1960s were they to come to power. Labour has become even more committed to regional policies since it took on the role of being the defender of the north of England from the Conservatives. The Alliance is in an odd position. The Social Democrats include several former Labour M.P.'s, especially from the northeast of England. These people were, in the early 1970s, prominent advocates of "technocratic" regional policies, involving much economic planning, aimed at national "efficiency" as much as at regional equity.¹⁶⁹ The Liberals, on the other hand, tend to emphasize political factors—the danger of regional conflict and the need for "fairness."¹⁷⁰ The net result of this is that for the Alliance, were they ever to come to power, one might hazard a guess that the resulting compromise would produce an official position on regional policy that would be very close to that held traditionally by the Labour Party.

But if all this strikes a note of continuity, one thing might have been changed permanently by the regional politics of the 1970s, and early 1980s, and that is the language of the debate about regional policy. It no longer seems possible for the debate to be carried on in the purely technocratic tone of a Harold Laski,¹⁷¹ implying that somewhere there is some expert solution to all problems. Conflict is now an inherent part of the terms of the discussion. To some extent, the Thatcher government has contributed to this development by arguing that regional policy for the most part merely transfers jobs from one region to another without any net gain.¹⁷² They talk about regional policy as if it were a zero-sum game, implying that conflict is unavoidable.¹⁷³ Some Labour politi-

169. John Horam is the most prominent example. *See supra* note 25. For a regional policy debate in which two future S.D.P. members, R. MacLennan and D. Marquand, spoke for Labour, together with Prof. John Mackintosh, whose untimely death may have prevented his taking the same step, see 858 PARL. DEB. H.C. (5th Ser.) 1301-1404 (1973) (debates).

170. *See* Meadowcroft, *supra* note 68; 44 PARL. DEB. H.C. (6th Ser.) (Mr. Steel, leader of the Liberal Party, stating that, "the political map of the country is swamped by blue in the south and red the further north one goes, and we are truly creating a far more divided society than we have seen on any previous occasion in British post-war politics").

171. *See supra* TAN 26.

172. *See supra* note 18.

173. This represents a departure from the consensus approach favored by moderate (or

cians, for their part, are taking an increasingly apocalyptic view of the situation. "We no longer have a regional or industrial problem," Stuart Holland has said. "We have a major economic and social crisis."¹⁷⁴

All this at a time when we have Celtic nationalist parties which, although much reduced since their zenith in October 1974, are far from dead. They managed after all to retain their parliamentary representation in the General Election of 1983. The important legacy of the 1970s therefore may well be that it is no longer possible to talk seriously about regional policy without also talking about regional politics.

One final comment: I would not presume to draw any hard conclusions from this study about anything except Britain in the 1970s. One might wonder, however, whether proposals to introduce a national industrial policy in the United States can be realistically considered without taking politics into account. The United States has a long tradition of regional conflict at a level of intensity much greater than anything seen in Britain since the seventeenth century.¹⁷⁵ Paradoxically, that tradition may help such a policy insofar as politicians and electors are so aware of it that national programs would operate in a highly visible way. Thus, as in British spending on strictly regional aid programs, some congruence with announced goals could be maintained. On the other hand, not only might it be much more difficult to arrive at agreed goals, but also, given that regional politics is already highly organized in the United States, the dangers would be very great that any national industrial policy would after a few years look less like a construction site for new American industry, and more like a battleground.

"wet") Conservatives. *See, e.g.*, 971 PARL. DEB. H.C. (5th Ser.) 385 (1979) (debates) (quoting Mr. Silkin, Conservative M.P., stating that "[i]nequalities of the kind we now see in Britain simply cannot be tolerated. They represent a serious threat to the fabric of society.").

174. 46 PARL. DEB. H.C. (6th Ser.) 733 (1983) (debates).

175. *See generally* REGIONAL CONFLICT AND NATIONAL POLICY (K. Price ed. 1982).